



**THE INSTITUTE OF
Company Secretaries of India**

भारतीय कम्पनी सचिव संस्थान

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for

June, 2024 Examination

CAPITALMARKET & SECURITIES LAWS
GROUP 2, PAPER 5

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Students appearing in Examination shall note the following:

Students appearing in June, 2024 Examination should also update themselves on all the relevant Notifications, Circulars, Clarifications, Orders etc. issued by MCA, SEBI, RBI & Central Government upto 30th November, 2023.

The students are advised to acquaint themselves with the monthly and Regulatory updates published by the Institute.

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LESSON 3
SECURITIES CONTRACTS (REGULATION) ACT, 1956

(1) SECURITIES CONTRACTS (REGULATION) (AMENDMENT) RULES, 2022.
(MINISTRY OF FINANCE NOTIFICATION NO. G.S.R. 03(E) DATED JANUARY 02, 2023)

The Ministry of Finance on January 02, 2023, has notified the Securities Contracts (Regulation) (Amendment) Rules, 2022 to amend the Securities Contracts (Regulation) Rules, 1957. The following amendments have been made:

1. The definition of “Government Company” has been amended. The amended definition prescribed that Government company means a Government company as defined in Section 2(45) of the Companies Act, 2013.

According to Section 2(45) the Companies Act, 2013, “Government company” means any company in which not less than fifty-one per cent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company.

2. In Rule 19A pertaining to Continuous Listing Requirement, Sub-rule (6) has been amended which provides that “*the Central Government may, in public interest, exempt any listed entity in which the Central Government or State Government or public sector company, either individually or in any combination with other, hold directly or indirectly, majority of the shares or voting rights or control of such listed entity, from any or all of the provisions of this rule.*”

For details: https://www.sebi.gov.in/legal/rules/jan-2023/securities-contracts-regulation-amendment-rules-2022_67099.html

LESSON 4

SECURITIES AND EXCHANGE BOARD OF INDIA

(1) REDRESSAL OF INVESTOR GRIEVANCES THROUGH THE SEBI COMPLAINT REDRESSAL (SCORES) PLATFORM AND LINKING IT TO ONLINE DISPUTE RESOLUTION PLATFORM. (CIRCULAR NO. SEBI/HO/OIAE/IGRD/CIR/P/2023/156 DATED SEPTEMBER 20, 2023)

SEBI Complaint Redressal System (SCORES) is a centralised web based complaint redressal facilitation platform launched in 2011 vide circular dated June 3, 2011 to provide a facilitative platform for the benefit of the aggrieved investors, whose grievances against (a) listed company, (b) registered intermediary or (c) market infrastructure institution (“Entities”) remain unresolved. Since then, SEBI has revised and strengthened the process of facilitating the redressal of grievances by such Entities. Currently, the process of investor grievances redressal on SCORES is governed by the Master Circular dated November 07, 2022 on “Processing of investor complaints against listed companies in SEBI Complaints Redress System – SCORES” (bearing reference SEBI/HO/OIAE/IGRD/P/CIR/2022 /0150).

In order to strengthen the existing investor grievance handling mechanism through SCORES by making the entire redressal process of grievances in the securities market comprehensive by providing a solution that makes the process more efficient by reducing timelines and by introducing auto-routing and auto-escalation of complaint, SEBI notified the SEBI (Facilitation of Grievance Redressal Mechanism) (Amendment) Regulations, 2023 and amended the various SEBI regulations such as SEBI (Stock Brokers) Regulations, 1992, SEBI (Merchant Bankers) Regulations, 1992, SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993, SEBI (Debenture Trustees) Regulations, 1993, SEBI (Bankers to an Issue) Regulations, 1994 etc., vide notification dated August 16, 2023. Consequently, it becomes necessary to revise the extant process for redressal of investors’ grievances against Entities and provide for a mechanism through which Designated Bodies may monitor the process of the redressal of investors’ grievances by Entities.

The Designated Bodies, as per this circular, include Listed companies, Merchant Bankers, Bankers to an Issue, Real Estate Investment Trusts, Municipal Debt Securities, Debenture Trustees, Portfolio Managers, Mutual Funds, Depository Participants, Investment Advisers, Registrars to an Issue and Share Transfer Agents, Stock Brokers, Vault Managers.

Responsibilities of the Designated Bodies

The Designated Bodies shall be responsible for:

- Monitoring and handling grievance redressal of investors against respective entities under their domain as stipulated under Schedule
- Taking non-enforcement actions including issuing advisories, caution letters for non-redressal of investor grievances and referring to SEBI for enforcement actions.

Framework for handling of investor grievances received through SCORES by Entities and monitoring of the redressal process by designated bodies.

1. Submission of the Complaint and handling of the Complaint by the Entity:

- All Entities who are in receipt of the complaints of the investors through SCORES, shall resolve the complaint within 21 calendar days of receipt of such Complaint.

- The Complaints lodged on SCORES against any Entity shall be automatically forwarded to the concerned Entity through SCORES for resolution and submission of ATR. Entities shall resolve the Complaint and upload the ATR on SCORES within 21 calendar days of receipt of the Complaint. The ATR of the entity will be automatically routed to the complainant.
- The Complaint against the Entity shall be simultaneously forwarded through SCORES to the relevant Designated Body. The Designated Body shall ensure that the concerned Entity submits the ATRs within the stipulated time of 21 calendar days.
- The Designated Body shall monitor the ATRs submitted by the entities under their domain and inform the concerned entity to improve the quality of redressal of grievances, wherever required.
- SEBI may concurrently monitor grievance redressal process by entities and Designated Bodies.

2. First review of the Complaint:

- In case complainant is satisfied with the resolution provided by the entity vide the ATR or complainant does not choose to review the Complaint, the Complaint shall be disposed on SCORES. However, if the complainant is not satisfied, the complainant may request for a review of the resolution provided by the entity within 15 calendar days from the date of the ATR.
- In case the complainant has requested for a review of the resolution provided by the entity or the entity has not submitted the ATR within the stipulated time of 21 calendar days, the concerned Designated Body shall take cognizance of the Complaint for first review of the resolution through SCORES. The Designated Body shall take up the first review with the concerned Entity, wherever required. The concerned Entity shall submit the ATR to the Designated Body within the time stipulated by the Designated Body.
- The Designated Body may seek clarification on the ATR submitted by the Entity for the first review. The concerned Entity shall provide clarification to the respective Designated Body, wherever sought and within such timeline, as the Designated Body may stipulate. The Designated Body shall stipulate the timeline in such a manner to ensure that the Designated Body submits the revised ATR to the complainant on SCORES within 10 calendar days of the review sought.

3. Second Review of the Complaint:

- The complainant may seek a second review of the Complaint within 15 calendar days from the date of the submission of the ATR by the Designated Body. In case the complainant is satisfied with the ATR provided by the concerned Designated Body or complainant does not choose to review the Complaint within the period of 15 calendar days, the Complaint shall be disposed on SCORES.
- In case the complainant is not satisfied with the ATR provided by the Designated Body or the concerned Designated Body has not submitted the ATR within 10 calendar days, SEBI may take cognizance of the Complaint for second review through SCORES.
- SEBI may take up the review with stakeholders involved, including the concerned entity or/and Designated Body. The concerned entity or/and Designated Body shall take immediate action on receipt of second review complaint from SEBI and submit revised ATR to SEBI through SCORES, within the timeline specified by SEBI.
- SEBI or the Designated Body (as the case may be) may seek clarification on the ATR submitted by the concerned entity for SEBI review complaint. The concerned entity shall provide clarification to the respective Designated Body and/or SEBI, wherever sought and within such timeline as specified.
- The second review Complaint shall be treated as 'resolved' or 'disposed' or 'closed' only when SEBI 'disposes' or 'closes' the Complaint in SCORES. Hence, mere filing of ATR with respect to SEBI review complaint will not mean that the SEBI review complaint is disposed.

4. Action for failure to redress investor complaints by listed companies:

- The Designated Stock Exchange (DSE) shall levy a fine of ₹ 1000 per day per complaint on the listed company for violation of Regulation 13 (1) of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (LODR Regulations) read with SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/12 dated January 22, 2020.
- DSE shall issue a notice intimating the listed company about the levy of fines while also directing it to submit ATRs on the pending complaints and payment of the fines within 15 days from the date of such notice.
- In case the listed company fails to redress the grievances and/or pay fine levied within 15 days from the date of such notice, the concerned DSE shall issue notices to the promoter(s) of such listed company, to ensure submission of ATRs on the pending complaints and payment of fines by the listed company within 10 days from the date of such notice.
- In case the listed entity fails to comply with the aforesaid requirement and/ or pay fine levied within the stipulated period as per the notices, the DSE shall forthwith intimate the depositories to freeze the entire shareholding of the promoter(s) in such listed company as well as all other securities held in the demat account of the promoter(s).
- In case the listed entity fails to pay the fine or resolve the complaint despite receipt of the notice as stated above, the DSE may initiate other action as deemed appropriate.
- The procedure and actions mentioned above shall only be applicable for categories of complaints provided below:
 - 1) Non updation of address /Signature or Corrections etc.
 - 2) Non-receipt of Bonus
 - 3) Non receipt of Dividend
 - 4) Non receipt duplicate debt securities certificate
 - 5) Non-receipt of duplicate share certificate
 - 6) Non receipt of fractional entitlement
 - 7) Non receipt of interest for delay in dividend
 - 8) Non receipt of interest for delay in payment of interest on debt security
 - 9) Non receipt of interest for delay in redemption proceeds of debt security
 - 10) Non receipt of interest for delay in refunds
 - 11) Non receipt of interest on securities
 - 12) Non receipt of redemption amount of debt securities
 - 13) Non receipt of refund in Public/ Rights issue
 - 14) Non receipt of Rights Issue form
 - 15) Non receipt of securities after conversion/ endorsement/ consolidation/ splitting
 - 16) Non receipt of securities after transfer
 - 17) Non receipt of securities in public/ rights issue
 - 18) Non receipt of shares after conversion/ endorsement/ consolidation/ splitting
 - 19) Non receipt of shares after transfer
 - 20) Non receipt of shares after transmission
 - 21) Non receipt of shares in public/ rights issue (including allotment letter)
 - 22) Non-receipt of interest for delay in dispatch/credit of securities
 - 23) Receipt of refund/ dividend in physical mode instead of electronic mode
 - 24) Receipt of shares in physical mode instead of electronic mode
 - 25) Demat/Remat
 - 26) Complaints of any other nature as may be informed from time to time

General provisions regarding investor grievance redressal

- Investors shall first take up their grievances for redressal with the entity concerned, through their designated persons/officials who handle issues relating to compliance and redressal of investor grievances.
- Investors who wish to lodge a Complaint on SCORES (complainant) are required to register themselves on www.scores.gov.in by clicking on “Register here” under the “Investor Corner”. While filing the registration form, details like Name of the investor, Permanent Account Number (PAN), contact details, email id, are required to be provided for effective communication and speedy redressal of the grievances. Upon successful registration, a unique user id and a password shall be generated and communicated through an acknowledgement email to the complainant.
- In order to enhance ease, speed and accuracy in the redressal of grievance, the investor may lodge the Complaint against any Entity on SCORES within a period of one year from the date of occurrence of the cause of action, where:
 - a. The complainant has approached the Entity for redressal of the complaint and the Entity has rejected the complaint or the complainant has not received any communication from the concerned Entity;
 - b. The complainant is not satisfied with the reply received or the redressal by the concerned Entity.
- If any complaint filed on SCORES beyond the limitation period specified above, SEBI may reject such complaint.
- The following types of complaints shall not be dealt through SCORES:
 - a. Complaints against companies which are unlisted/delisted and companies on Dissemination Board of Stock Exchanges (except complaints on valuation of securities).
 - b. Complaints relating to cases pending in a court or subject matter of quasijudicial proceedings, disputes pending with Online Dispute Resolution mechanism under the aegis of Market Infrastructure Institutions [as per SEBI master circular SEBI/HO/OIAE/OIAE_IAD-1/P/CIR/2023/145 dated July 31, 2023] etc.
 - c. Complaints falling under the purview of other regulatory bodies such as Reserve Bank of India, (RBI), Insurance Regulatory and Development Authority of India (IRDAI), Pension Fund Regulatory and Development Authority of India (PFRDAI), Competition Commission of India (CCI), or complaints falling under the purview of other ministries.
 - d. Complaints against a company under resolution under the relevant provisions of the Insolvency and Bankruptcy Code, 2016 (IBC).
 - e. Complaints against the companies where the name of company is struck off from Register of Companies (RoC) or a vanishing company as published by MCA.
 - f. Liquidated Companies or companies under liquidation.
 - g. Complaints which are in the nature of market intelligence i.e., information given to SEBI regarding violation of any of the provisions of the securities laws.
- SEBI shall handle the first review complaint for categories of intermediaries where no Designated Body has been appointed for the purpose.
- The complainant in the event of being dissatisfied shall give reasons for not being satisfied with the ATR and provide clear reasons for review at any stage.
- SCORES shall only be a facilitative platform for investors to get redressal of their grievances from the concerned entity.
- In cases where investors raise issues, which require adjudication on any third party rights, on questions of law or fact or which is in the nature of a *lis* between parties, or if investors are not satisfied with disposal on SCORES post SEBI review, they shall seek appropriate remedies

through the Online Dispute Resolution mechanism in securities market. In addition, investors have the option to approach legal forums including civil courts, consumer courts etc.

- Investors can approach the Online Dispute Resolution mechanism or other appropriate civil remedies at any point of time. In case the complainant opts for Online Dispute Resolution mechanism or other appropriate civil remedies while the complaint is pending on SCORES, the complaint shall be treated as disposed on SCORES.

The provisions of this circular related to work flow of processing of investor grievances by Entities and framework for monitoring and handling of investor complaints by the Designated Bodies shall come into force with effect from April 01, 2024. This Circular shall rescind the Master Circular SEBI/HO/OIAE/IGRD/P/CIR/2022/0150 dated November 07, 2022 above with effect from April 01, 2024.

For Details: https://www.sebi.gov.in/legal/circulars/sep-2023/redressal-of-investor-grievances-through-the-sebi-complaint-redressal-scores-platform-and-linking-it-to-online-dispute-resolution-platform_77159.html

LESSON 6
SECURITIES MARKET INTERMEDIARIES

**(1) SEBI (STOCK BROKERS) (AMENDMENT) REGULATIONS, 2023
(NOTIFICATION NO. SEBI/LAD-NRO/GN/2023/116 DATED JANUARY 17, 2023)**

SEBI has notified the SEBI (Stock Brokers) (Amendment) Regulations, 2023 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, the following amendments have been made:

1. The new definition of “**Qualified Stock Broker**” has been inserted which means a stock broker referred to in regulation 18D of the SEBI (Stock Brokers) Regulations, 1992.
2. The new regulation 18D related to “Enhanced obligations and responsibilities for qualified stock brokers” has been inserted, namely-

18D. (1) The SEBI may designate a stock broker as a qualified stock broker having regard to its size and scale of operations, likely impact on investors and securities market, as well as governance and service standards, on the basis of the following parameters and the appropriate weightages thereon: -

- a) the total number of active clients;
- b) the available total assets of clients with the stock broker;
- c) the trading volumes of the stock broker;
- d) the end of day margin obligations of all clients of a stock broker;
- e) compliance score as may be specified by the Board;
- f) grievance redressal score as may be specified by the Board; and
- g) the proprietary trading volumes of the stock broker.

(2). The stock broker designated as a qualified stock broker shall be required to meet enhanced obligations and discharge responsibilities to ensure: -

- a) appropriate governance structure and processes;
- b) appropriate risk management policy and processes;
- c) scalable infrastructure and appropriate technical capacity;
- d) framework for orderly winding down;
- e) robust cyber security framework and processes; and
- f) investor services including online complaint redressal mechanism.

Brief of the Notification:

SEBI has designated stock brokers, based on identified parameters, as Qualified Stock Brokers (QSBs) to mitigate this risk. Certain Stock Brokers in the market handle a very large number of clients, very large amount of client funds and very large trading volumes. Possible failure of such brokers has the potential to cause widespread impact on investors and reputational damage to the Indian securities market. QSBs would need to comply with enhanced risk management practices/requirements. There would also be enhanced monitoring of such QSBs by SEBI / Market Infrastructure Institutions (MIIs).

For details: https://www.sebi.gov.in/legal/regulations/jan-2023/securities-and-exchange-board-of-india-stock-brokers-amendment-regulations-2023_67409.html

(2) SEBI (FOREIGN PORTFOLIO INVESTORS) (AMENDMENT) REGULATIONS, 2023 (NOTIFICATION NO. SEBI/LAD-NRO/GN/2023/128 DATED MARCH 14, 2023)

SEBI on March 14, 2023, notified the SEBI (Foreign Portfolio Investors) (Amendment) Regulations, 2023 which shall come into force on the date of their publication in the Official Gazette. Vide this notification the following amendments have been made:

- For grant of certificate as a foreign portfolio investor an application to be made to Designated Depository Participants (“DDP”) in the form specified by the government or SEBI, along with the fee specified in Part A of the Second Schedule. In addition to this provision, the application now has to be made in the manner specified by the government or SEBI and along with any documents in the manner specified by SEBI. [Amendment: Regulation 3(2)]
- In regulation 22 pertaining to General obligations and responsibilities of foreign portfolio investors, the following amendments have been made:
 - The foreign portfolio investor shall **as soon as possible but not later than seven working days**, inform the Board and designated depository participant in writing, if any information or particulars previously submitted to the Board or designated depository participant are found to be false or misleading, in any material respect. [Amendment: Regulation 22(1)(b)]
 - As soon as possible but not later than seven working days, inform the Board and designated depository participant in writing, if there is any material change in the information including any direct or indirect change in its structure or ownership or control or investor group previously furnished by him to the Board or designated depository participant. [Substitution: Regulation 22(1)(c)]
 - **As soon as possible but not later than seven working days**, inform the Board and the designated depository participant, in case of any penalty, pending litigation or proceedings, findings of inspections or investigations for which action may have been taken or is in the process of being taken by an overseas regulator against it. [Amendment: Regulation 22(1)(e)]
 - Ensure that accurate details regarding its investor group are maintained with its designated depository participant at all times. [Insertion: Regulation 22(1)(l)]

For details: https://www.sebi.gov.in/legal/regulations/mar-2023/securities-and-exchange-board-of-india-foreign-portfolio-investors-amendment-regulations-2023_69104.html

(3) SEBI (STOCK BROKERS) (SECOND AMENDMENT) REGULATIONS, 2023 (NOTIFICATION NO. SEBI/LAD-NRO/GN/2023/140 DATED JULY 24, 2023)

SEBI has notified the SEBI (Stock Brokers) (Second Amendment) Regulations, 2023 on July 24, 2023 which shall come into force on the date of their publication in the Official Gazette. Vide this

notification, the amendments are made in regulation 10A of the SEBI (Stock Brokers) Regulations, 1992, dealing with the registration of clearing members. As per said regulation 10A, a person is required to obtain a certificate of registration from SEBI in order to act as a clearing member. The amendment provides that no separate registration shall be required for any person registered with the limited purpose clearing corporation as a participant for participating in the tri-party repo segment for undertaking proprietary trades in corporate bonds. Further, an explanation is inserted which provides the “Participant” means any person who is an eligible entity as stipulated under the Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018.

For details; https://www.sebi.gov.in/legal/regulations/jul-2023/securities-and-exchange-board-of-india-stock-brokers-second-amendment-regulations-2023_74317.html

(4) SEBI (FOREIGN PORTFOLIO INVESTORS) (SECOND AMENDMENT) REGULATIONS, 2023 (NOTIFICATION NO. SEBI/LADNRO/GN/2023/143 DATED AUGUST 10, 2023)

SEBI has notified the SEBI (Foreign Portfolio Investors) (Second Amendment) Regulations, 2023 which shall come into force on the date of their publication in the Official Gazette. In regulation 22 of the SEBI (Foreign Portfolio Investors) Regulations, 2019 pertaining to General obligations and responsibilities of foreign portfolio investors, after sub-regulation (5), the following sub-regulations have been inserted, namely, -

“(6) A foreign portfolio investor that fulfils the criteria specified by the SEBI from time to time, shall provide information or documents in relation to the persons with any ownership, economic interest or control, in the foreign portfolio investor.

(7) The information or documents specified in sub-regulation (6) shall be provided in the manner as may be specified by the SEBI from time to time.”

For details: https://www.sebi.gov.in/legal/regulations/aug-2023/securities-and-exchange-board-of-india-foreign-portfolio-investors-second-amendment-regulations-2023_75198.html

LESSON 8

ISSUE OF CAPITAL & DISCLOSURE REQUIREMENTS

(1) SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) (SECOND AMENDMENT) REGULATIONS, 2023 (NOTIFICATION NO. SEBI/LAD-NRO/GN/2023/130 DATED MAY 23, 2023)

With the objective of increasing transparency and streamlining certain issue processes, SEBI has notified the SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2023. Vide this notification following amendments have been made:

- The words “SEBI (Share Based Employee Benefits) Regulations, 2014” wherever they appear, will be substituted with the words “SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021”.
- Regulation 40 and 136 pertaining to Underwriting in the case of an initial public offer (IPO) and further public offer (FPO), respectively, have been replaced.

UNDERWRITING [REGULATION 40 AND 136]

- (1) If the issuer making an initial public offer or further public offer, other than through the book building process, desires to have the issue underwritten to cover under-subscription in the issue, it shall, prior to the filing of the prospectus, enter into an underwriting agreement with the merchant bankers or stock brokers registered with the Board to act as underwriters, indicating therein the maximum number of specified securities they shall subscribe to, either by themselves or by procuring subscription, at a predetermined price which shall not be less than the issue price, and shall disclose the fact of such underwriting agreement in the prospectus.
- (2) The issuer making an initial public offer or further public offer, other than through the book building process, shall, prior to the filing of the prospectus, enter into an underwriting agreement with the merchant bankers or stock brokers registered with the Board to act as underwriters, indicating therein the number of specified securities they shall subscribe to on account of rejection of applications, either by themselves or by procuring subscription, at a predetermined price which shall not be less than the issue price, and shall disclose the fact of such underwriting agreement in the prospectus.
- (3) If the issuer makes a public issue through the book building process:
- (a) the issue shall be underwritten by lead manager(s) and syndicate member(s):

Provided that at least seventy five per cent. of the net offer proposed to be compulsorily allotted to qualified institutional buyers for the purpose of compliance of the eligibility conditions specified in sub-regulation (2) of regulation 6 shall not be underwritten.
 - (b) the issuer shall, prior to the filing of the prospectus, enter into an underwriting agreement with the lead manager(s) and syndicate member(s), indicating therein the number of specified securities they shall subscribe to on account of rejection of bids, either by themselves or by procuring subscription, at a price which shall not be less than the issue price, and shall disclose the fact of such underwriting agreement in the prospectus.

- (c) if the issuer desires to have the issue underwritten to cover under-subscription in the issue, it shall, prior to the filing of the red herring prospectus, enter into an underwriting agreement with the lead manager(s) and syndicate member(s) to act as underwriters, indicating therein the maximum number of specified securities they shall subscribe to, either by themselves or by procuring subscription, at a price which shall not be less than the issue price, and shall disclose the fact of such underwriting agreement in the red herring prospectus.
 - (d) if the syndicate member(s) fail to fulfil their underwriting obligations, the lead manager(s) shall fulfil the underwriting obligations.
 - (e) the lead manager(s) and syndicate member(s) shall not subscribe to the issue in any manner except for fulfilling their underwriting obligations.
 - (f) in case of every underwritten issue, the lead manager(s) shall undertake minimum underwriting obligations as specified in the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992.
 - (g) where the issue is required to be underwritten, the underwriting obligations should be at least to the extent of minimum subscription.”
- In regulation 293 pertaining to conditions for a Bonus issue, the following clause is inserted: “It has received approval from the stock exchanges for listing and trading of all the securities, excluding options granted to employees pursuant to an employee stock option scheme and convertibles securities, issued by the issuer prior to the issuance of bonus shares.”
 - In regulation 294 pertaining to restrictions on a bonus issue, the following clause is inserted: “Bonus issue shall be made only in dematerialised form.

For details: https://www.sebi.gov.in/legal/regulations/may-2023/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-second-amendment-regulations-2023_71705.html

LESSON 10

ISSUE AND LISTING OF NON-CONVERTIBLE SECURITIES

(1) SEBI (ISSUE AND LISTING OF NON-CONVERTIBLE SECURITIES) (AMENDMENT) REGULATIONS, 2023 (NOTIFICATION NO. SEBI/LAD-NRO/GN/2023/119 DATED FEBRUARY 02, 2023)

SEBI on February 02, 2023, notified the SEBI (Issue and Listing of Non-Convertible Securities) (Amendment) Regulations, 2023 which shall come into force on the date of their publication in the Official Gazette. The following amendments have been made:

- The definition of **Green debt security** has been substituted:

“**Green debt security**” means a debt security issued for raising funds subject to the conditions as may be specified by the Board from time to time, to be utilised for project(s) and/ or asset(s) falling under any of the following categories:

- (i) renewable and sustainable energy including wind, bioenergy, other sources of energy which use clean technology,
- (ii) clean transportation including mass/public transportation,
- (iii) climate change adaptation including efforts to make infrastructure more resilient to impacts of climate change and information support systems such as climate observation and early warning systems,
- (iv) energy efficiency including efficient and green buildings,
- (v) sustainable waste management including recycling, waste to energy, efficient disposal of wastage,
- (vi) sustainable land use including sustainable forestry and agriculture, afforestation,
- (vii) biodiversity conservation,
- (viii) pollution prevention and control (including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy efficient or emission efficient waste to energy) and sectors mentioned under the India Cooling Action Plan launched by the Ministry of Environment, Forest and Climate Change,
- (ix) circular economy adapted products, production technologies and processes (such as the design and introduction of reusable, recyclable and refurbished materials, components and products, circular tools and services) and/or eco efficient products,
- (x) blue bonds which comprise of funds raised for sustainable water management including clean water and water recycling, and sustainable maritime sector including sustainable shipping, sustainable fishing, fully traceable sustainable seafood, ocean energy and ocean mapping,
- (xi) yellow bonds which comprise of funds raised for solar energy generation and the upstream industries and downstream industries associated with it,
- (xii) transition bonds which comprise of funds raised for transitioning to a more sustainable form of operations, in line with India’s Intended Nationally Determined Contributions, and Explanation: Intended Nationally Determined Contributions (INDCs) refer to the climate targets determined by India under the Paris Agreement at the Conference of Parties 21 in 2015, and at the Conference of Parties 26 in 2021, as revised from time to time.
- (xiii) any other category, as may be specified by the Board from time to time.

- In regulation 15 pertaining to right to recall or redeem prior to maturity, sub-regulation (6) and (7) have been substituted with the following:

The issuer shall send a notice regarding recall or redemption of non-convertible securities, prior to maturity, to all the eligible holders of such securities and the debenture trustee(s), at least twenty-one days before the date from which such right is exercisable and the notice to the eligible holders shall be sent in the following manner:

- (i) soft copy of such notice shall be sent to the eligible holders who have registered their email address(es) either with the listed entity or with any depository; and
- (ii) hard copy of the notice shall be sent to the eligible holders who have not registered their email address(es) either with the listed entity or with any depository.

The issuer shall simultaneously provide a copy of such notice to the stock exchange(s) where the non-convertible securities of the issuer are listed, for dissemination on its website.

- Regulation 33A has been inserted under the heading Public Issue and Listing of Debt Securities and Non-Convertible Redeemable Preference Shares [Chapter III]:

PERIOD OF SUBSCRIPTION

33A. (1) A public issue of debt securities or, non-convertible redeemable preference shares shall be kept open for a minimum of three working days and a maximum of ten working days.

(2) In case of a revision in the price band or yield, the issuer shall extend the bidding (issue) period disclosed in the offer document for a minimum period of three working days:

Provided that the overall bidding (issue) period shall not exceed the maximum number of days, as provided in sub-regulation (1).

(3) In case of force majeure, banking strike or similar circumstances, the issuer may, for reasons to be recorded in writing, extend the bidding (issue) period disclosed in the offer document: Provided that the overall bidding (issue) period shall not exceed the maximum number of days, as provided in sub-regulation (1).

For details: https://www.sebi.gov.in/legal/regulations/feb-2023/securities-and-exchange-board-of-india-issue-and-listing-of-non-convertible-securities-amendment-regulations-2023_67798.html

(2) SEBI (ISSUE AND LISTING OF NON-CONVERTIBLE SECURITIES) (SECOND AMENDMENT) REGULATIONS, 2023 (NOTIFICATION NO. SEBI/LAD-NRO/GN/2023/135 DATED JULY 03, 2023)

SEBI has notified the SEBI (Issue and Listing of Non-Convertible Securities) (Second Amendment) Regulations, 2023 which shall come into force on the date of their publication in the Official Gazette.

- Vide this notification the definitions key managerial personnel and senior management have been added: o “Key managerial personnel” means key managerial personnel as defined in subsection (51) of section 2 of the Companies Act, 2013.”

o “Senior management” shall mean the officers and personnel of the issuer who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.”

- Further, a new Chapter V A on “Issuance and Listing of Non-Convertible Securities Issued on a Private Placement Basis” has been inserted in the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021.

ISSUANCE AND LISTING OF NON-CONVERTIBLE SECURITIES ISSUED ON A PRIVATE PLACEMENT BASIS [CHAPTER VA]

Filing of general information document and key information document: An issuer making a private placement of non-convertible securities, and seeking listing thereof on stock exchange(s), shall file a general information document with the stock exchange(s), which shall contain the following disclosures, namely, -

- (a) disclosures specified in Schedule I of these regulations;
- (b) disclosures specified in the Companies Act, 2013, as applicable; and
- (c) additional disclosures as may be specified by the SEBI.

The general information document shall be valid for a period of one year from the date of opening of the first offer of non-convertible securities made under that general information document. In respect of a second or subsequent offer of non-convertible securities, during the period of validity for a period of one year of that general information document, no further general information document shall be required to be filed.

An issuer making a private placement of second or subsequent offer of non-convertible securities, during the validity of the general information document or a shelf prospectus or a shelf placement memorandum, as the case may be, shall file a key information document for each such second or subsequent offer of non-convertible securities, with the stock exchange(s).

For details: https://www.sebi.gov.in/legal/regulations/jul-2023/securities-and-exchange-board-of-india-issue-and-listing-of-non-convertible-securities-second-amendment-regulations-2023_73592.html

LESSON 11

LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS

(1) SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) (SEVENTH AMENDMENT) REGULATIONS, 2022 (NOTIFICATION NO. SEBI/LAD-NRO/GN/2022/109 DATED DECEMBER 05,2022)

SEBI on December 05, 2022, notified the SEBI (Listing Obligations and Disclosure Requirements) (Seventh Amendment) Regulations, 2022 which shall come into force on the date of their publication in the Official Gazette. In Regulation 102 pertaining to power to relax strict enforcement of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a new regulation (1A) has been inserted stating that “SEBI may after due consideration of the interest of the investors and the securities market and for the development of the securities market, relax the strict enforcement of any of the requirements of these regulations, if an application is made by the Central Government in relation to its strategic disinvestment in a listed entity.”

For details: https://www.sebi.gov.in/legal/regulations/dec-2022/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-seventh-amendment-regulations-2022_65883.html

(2) SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) (AMENDMENT) REGULATIONS, 2023 (NOTIFICATION NO. SEBI/LAD-NRO/GN/2023/117 DATED JANUARY 17, 2023)

SEBI on January 17, 2023, notified the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2023. Vide this notification, the following amendments have been made:

1. In regulation 15 pertaining to corporate governance norms, in sub-regulation (1A), Explanation (4) has been **omitted**:

Explanation (4)–

(a) In case of a ‘high value debt listed entity’ that is a Real Estate Investment Trust (REIT), the Board of the Manager of the Real Estate Investment Trust (REIT), shall comply with regulation 15 to regulation 27 of these regulations related to corporate governance;

(b) In case of a ‘high value debt listed entity’ that is an Infrastructure Investment Trust (InvIT), the Board of the Investment Manager of the Infrastructure Investment Trust (InvIT), shall comply with regulation 15 to regulation 27 of these regulations related to corporate governance.

2. Sub-regulation (1B) and (1C) has been inserted under regulation 15, namely, -

“(1B) Notwithstanding anything contained in this regulation, in case of an Infrastructure Investment Trust registered under the provisions of the SEBI (Infrastructure Investment Trusts) Regulations, 2014, the governance norms specified under the SEBI (Infrastructure Investment Trusts) Regulations, 2014 shall be applicable.”

“(1C) Notwithstanding anything contained in this regulation, in case of a Real Estate Investment Trust registered under the provisions of SEBI (Real Estate Investment Trust) Regulations, 2014,

the governance norms specified under the SEBI (Real Estate Investment Trust) Regulations, 2014 shall be applicable.”

For details: https://www.sebi.gov.in/legal/regulations/jan-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-amendment-regulations-2023_67410.html

(3) (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) (SECOND AMENDMENT) REGULATIONS, 2023 (NOTIFICATION NO. SEBI/LAD-NRO/GN/2023/131 DATED JUNE 14, 2023)

SEBI has notified the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2023 on June 14, 2023. Vide this notification the following amendments have been made in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

1. The new definition Mainstream media is added [**Regulation 2(1)(ra)**]:

Mainstream media shall include print or electronic mode of the following:

- i. Newspapers registered with the Registrar of Newspapers for India;
- ii. News channels permitted by Ministry of Information and Broadcasting under Government of India;
- iii. Content published by the publisher of news and current affairs content as defined under the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021; and
- iv. Newspapers or news channels or news and current affairs content similarly registered or permitted or regulated, as the case may be, in jurisdictions outside India.

2. Vacancy to be filled in the office of the Compliance Officer: Any vacancy in the office of the Compliance Officer shall be filled by the listed entity at the earliest and in any case not later than 3 months from the date of such vacancy.

However, the listed entity shall not fill such vacancy by appointing a person in interim capacity, unless such appointment is made in accordance with the laws applicable in case of a fresh appointment to such office and the obligations under such laws are made applicable to such person. [**Insertion: Regulation 6(1A)**]

3. The following Regulation 17(1D) is added:

Shareholder approval required for Appointment or Reappointment

17(1D) With effect from April 1, 2024, the continuation of a director serving on the board of directors of a listed entity shall be subject to the approval by the shareholders in a general meeting at least once in every five years from the date of their appointment or reappointment, as the case may be. However, the continuation of the director serving on the board of directors of a listed entity as on March 31, 2024, without the approval of the shareholders for the last five years or more shall be subject to the approval of shareholders in the first general meeting to be held after March 31, 2024.

Provided further that the requirement specified in this regulation shall not be applicable to the Whole-Time Director, Managing Director, Manager, Independent Director or a Director retiring as per the sub-section (6) of section 152 of the Companies Act, 2013, if the approval of the shareholders for the reappointment or continuation of the aforesaid directors or Manager is otherwise provided for by the provisions of these regulations or the Companies Act, 2013 and has been complied with.

The requirement specified in this regulation shall not be applicable to the director appointed pursuant to the order of a Court or a Tribunal or to a nominee director of the Government on the board of a listed entity, other than a public sector company, or to a nominee director of a financial sector regulator on the board of a listed entity.

The requirement specified in this regulation shall not be applicable to a director nominated by a financial institution registered with or regulated by the Reserve Bank of India under a lending arrangement in its normal course of business or nominated by a Debenture Trustee

registered with the Board under a subscription agreement for the debentures issued by the listed entity.

4. The following Regulation 17(1E) is added:

Vacancy to be filled in the office of a director: Any vacancy in the office of a director shall be filled by the listed entity at the earliest and in any case not later than 3 months from the date such vacancy. However, if the listed entity becomes non-compliant, due to expiration of the term of office of any director, the resulting vacancy shall be filled by the listed entity not later than the date such office is vacated.

5. The following Regulation 26A is added:

Vacancies to be filled in respect of certain Key Managerial Personnel

- Any vacancy in the office of Chief Executive Officer, Managing Director, Whole Time Director or Manager shall be filled by the listed entity at the earliest and in any case not later than 3 months from the date of such vacancy.
- Any vacancy in the office of the Chief Financial Officer shall be filled by the listed entity at the earliest and in any case not later than 3 months from the date of such vacancy.
- The listed entity shall not fill such vacancy by appointing a person in interim capacity, unless such appointment is made in accordance with the laws applicable in case of a fresh appointment to such office and the obligations under such laws are made applicable to such person.

6. **Disclosure of Cybersecurity Breaches:** Details of cyber security incidents or breaches or loss of data or documents shall be disclosed along with quarterly compliance report on corporate governance. **[Insertion: Regulation 27(2)(ba)]**

7. Disclosure of events or information:

- The omission of an event or information, whose value or the expected impact in terms of value, exceeds the lower of the following:
 - 2% of turnover, as per the last audited consolidated financial statements of the listed entity;
 - 2% of net worth, as per the last audited consolidated financial statements of the listed entity, except in case the arithmetic value of the net worth is negative;
 - 5% percent of the average of absolute value of profit or loss after tax, as per the last three audited consolidated financial statements of the listed entity.**[Regulation 30(4)(i)(c)]**
- In case where the criteria specified is not applicable, an event or information may be treated as being material if in the opinion of the board of directors of the listed entity, the event or information is considered material. **[Insertion: Regulation 30(4)(i)(d)]**
- The listed entity shall first disclose to the stock exchange all events or information which are material in terms of the provisions of this regulation as soon as reasonably possible and in any case not later than the following:
 - 30 minutes from the closure of the meeting of the board of directors in which the decision pertaining to the event or information has been taken;
 - 12 hours from the occurrence of the event or information, in case the event or information is emanating from within the listed entity;
 - 24 hours from the occurrence of the event or information, in case the event or information is not emanating from within the listed entity.

However, disclosure with respect to events for which timelines have been specified in Part A of Schedule III shall be made within such timelines. Provided further that in case the disclosure is made after the timelines specified under this regulation, the listed entity shall, along with such disclosure provide the explanation for the delay.

[Regulation 30(6)]

- The top 100 listed entities (with effect from October 1, 2023) and thereafter the top 250 listed entities (with effect from April 1, 2024) shall confirm, deny or clarify any reported event or information in the mainstream media which is not general in nature and which indicates that rumours of an impending specific material event or information in terms of the provisions of this regulation are circulating amongst the investing public, as soon as reasonably possible and not later than 24 hours from the reporting of the event or information. However, if the listed entity confirms the reported event or information, it shall also provide the current stage of such event or information. **[Insertion: Provisos to Regulation 30(11)]**
- In case an event or information is required to be disclosed by the listed entity in terms of the provisions of this regulation, pursuant to the receipt of a communication from any regulatory, statutory, enforcement or judicial authority, the listed entity shall disclose

such communication, along with the event or information, unless disclosure of such communication is prohibited by such authority. **[Insertion: Regulation 30(13)].**

8. **Disclosure requirements for certain types of agreements binding listed entities:** All the shareholders, promoters, promoter group entities, related parties, directors, key managerial personnel and employees of a listed entity or of its holding, subsidiary and associate company, who are parties to the agreements specified in clause 5A of para A of part A of schedule III to these regulations, shall inform the listed entity about the agreement to which such a listed entity is not a party, within 2 working days of entering into such agreements or signing an agreement to enter into such agreements. **[Insertion: Regulation 30A]**
9. **Special rights to shareholders:** Any special right granted to the shareholders of a listed entity shall be subject to the approval by the shareholders in a general meeting by way of a special resolution once in every five years starting from the date of grant of such special right. **[Insertion: Regulation 31B]**
10. **Submission of Financial Results for newly listed entity:** The listed entity shall, subsequent to the listing, submit its financial results for the quarter or the financial year immediately succeeding the period for which the financial statements have been disclosed in the offer document for the initial public offer, in accordance with the timeline specified in regulation 33(3)(a) i.e. 45 days from end of each quarter or in regulation 33(3)(d) i.e.60 days from the end of the financial year or within 21 days from the date of its listing, whichever is later. **[Insertion: Regulation 33(3)(j)]**
11. **Annual Report Disclosures:** For the top 1000 thousand listed entities, the annual report shall contain a Business Responsibility and Sustainability Report (BRSR) on the environmental, social and governance disclosures, in the format as may be specified by SEBI. The assurance of the BRSR Core shall be obtained, with effect from and in the manner as may be specified by SEBI. The listed entities shall also make disclosures and obtain assurance as per the BRSR Core for their value chain, with effect from and in the manner as may be specified by SEBI.

The remaining listed entities, including the entities which have listed their specified securities on the SME Exchange, may voluntarily disclose the BRSR or may voluntarily obtain the assurance of the Business Responsibility and Sustainability Report Core, for themselves or for their value chain, as the case may be. **[Regulation 34(2)(f)]**

For details: https://www.sebi.gov.in/legal/regulations/jun-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-second-amendment-regulations-2023_72609.html

(5) SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) (THIRD AMENDMENT) REGULATIONS, 2023 (NOTIFICATION NO. SEBI/LAD NRO/GN/2023/149 DATED AUGUST 23, 2023)

SEBI has notified the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2023 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, Chapter VIA *“framework for voluntary delisting of non-convertible debt securities or non-convertible redeemable preference*

shares and obligations of the listed entity on such delisting” has been added and the following have been prescribed in this regard:

• **Applicability**

The provisions of this Chapter VIA will be applicable to voluntary delisting of all listed non-convertible debt securities or non-convertible redeemable preference shares from all or any of the stock exchanges where such non-convertible debt securities or nonconvertible redeemable preference shares are listed.

• **In-principle approval of the stock exchanges**

The listed entity shall make an application to the relevant stock exchange(s) for seeking in-principle approval for the proposed delisting of nonconvertible debt securities or non-convertible redeemable preference shares in the form specified by such stock exchange, not later than 15 working days from the date of passing of the board resolution to that effect or of receipt of any other statutory or regulatory approval, whichever is later.

The application seeking in-principle approval for the delisting of the non-convertible debt securities or nonconvertible redeemable preference shares shall be disposed of by the relevant stock exchange(s) within a period not exceeding fifteen working days from the date of receipt of such application that is complete in all respects.

• **Notice of delisting**

The listed entity shall send the notice of delisting to the holders of non-convertible debt securities or non-convertible redeemable preference shares, not later than 3 working days from the date of receipt of in-principle approval from the stock exchanges.

• **Approval from the holders and No-Objection Letter from the Debenture Trustee**

The listed entity shall obtain approval from all the holders of non-convertible debt securities or non-convertible redeemable preference shares within 15 working days from the date of the notice of delisting. The listed entity shall also obtain the No-Objection Letter from the debenture trustee in case of delisting of non-convertible debt securities.

• **Failure of delisting proposal.**

The delisting proposal shall be deemed to have failed under any of the following circumstances:

(a) non-receipt of in-principle approval from any of the stock exchanges; or

(b) non-receipt of requisite approval from the holders of non-convertible debt securities or nonconvertible redeemable preference shares; or

(c) non-receipt of No-Objection Letter from the debenture trustee in case of proposal for delisting of non-convertible debt securities. In case of failure of the delisting proposal, the listed entity shall intimate the same to the stock exchanges within 1 working day from the date of event of failure.

• **Final application to the stock exchange**

Within 5 working days from the date of obtaining the requisite approval from the holders of non-convertible debt securities or non-convertible redeemable preference shares, the listed entity shall make the final application for delisting to the stock exchange in the form specified by such stock exchange. The final application for delisting shall be disposed of by the stock exchange within 15 working days from the date of receipt of such application that is complete in all respects. Upon

disposal of the final application for delisting by the stock exchange, the non-convertible debt securities or non-convertible redeemable preference shares of the listed entity, as the case may be, shall be delisted from the stock exchange.

For details: https://www.sebi.gov.in/legal/regulations/aug-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-third-amendment-regulations-2023_75861.html

(6) SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) (FOURTH AMENDMENT) REGULATIONS, 2023 (NOTIFICATION NO. SEBI/LAD-NRO/GN/2023/151 DATED SEPTEMBER 19, 2023)

SEBI has notified the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2023 which shall come into force on the date of their publication in the Official Gazette. Vide this notification regulation 62A regarding “Listing of subsequent issuances of non-convertible debt securities” has been inserted and the same is provided hereunder:

62A(1) A listed entity, whose nonconvertible debt securities are listed shall list all non-convertible debt securities, proposed to be issued on or after January 1, 2024, on the stock exchange.

(2) A listed entity, whose subsequent issues of unlisted non-convertible debt securities made on or before December 31, 2023 are outstanding on the said date, may list such securities, on the stock exchange.

(3) A listed entity that proposes to list the non-convertible debt securities on the stock exchange on or after January 1, 2024, shall list all outstanding unlisted non-convertible debt securities previously issued on or after January 1, 2024, on the stock exchange within 3 months from the date of the listing of the nonconvertible debt securities proposed to be listed.

(4) A listed entity shall not be required to list the following securities:

i. Bonds issued under section 54EC of the Income Tax Act, 1961;

ii. Non-convertible debt securities issued pursuant to an agreement entered into between the listed entity of such securities and multilateral institutions;

iii. Non-convertible debt securities issued pursuant to an order of any court or Tribunal or regulatory requirement as stipulated by a financial sector regulator namely, the Board, Reserve Bank of India, Insurance Regulatory and Development Authority of India or the Pension Fund and Regulatory Development Authority.

(5) The securities issued by the listed entity under clauses (ii) and (iii) of sub-regulation (4) shall be locked in and held till maturity by the investors and shall be unencumbered.

(6) A listed entity proposing to issue securities under sub-regulation (4) shall disclose to the stock exchanges on which its non-convertible debt securities are listed, all the key terms of such securities, including embedded options, security offered, interest rates, charges, commissions, premium (by any name called), period of maturity and such other details as may be required to be disclosed by SEBI from time to time.

For details: https://www.sebi.gov.in/legal/regulations/sep-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-fourth-amendment-regulations-2023_77193.html

(7) **SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) (FIFTH AMENDMENT) REGULATIONS, 2023 (NOTIFICATION NO. SEBI/LAD-NRO/GN/2023/155 DATED OCTOBER 09, 2023)**

SEBI has notified the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2023 which shall come into force with effect from October 1, 2023.

Vide this notification, in the first proviso of regulation 30(11) under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015,-

(i) the symbols, words and numerals “with effect from October 1, 2023” have been omitted;

(ii) the symbols, words and numerals “with effect from April 1, 2024” have been substituted with the symbol and words “with effect from the date as may be specified by the Board”.

Brief Analysis

As per Regulation 30(11) of the SEBI (LODR) Regulations, 2015, the listed entity may on its own initiative also, confirm or deny any reported event or information to stock exchange. However, the top 100 listed entities and thereafter the top 250 listed entities, **with effect from the date as may be specified by SEBI**, shall confirm, deny or clarify any reported event or information in the mainstream media which is not general in nature and which indicates that rumours of an impending specific material event or information in terms of the provisions of this regulation are circulating amongst the investing public, as soon as reasonably possible and not later than 24 hours from the reporting of the event or information.

For details: https://www.sebi.gov.in/legal/regulations/oct-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-fifth-amendment-regulations-2023_77867.html

LESSON 16

BUY-BACK OF SECURITIES

(1) SEBI (BUY-BACK OF SECURITIES) (AMENDMENT) REGULATIONS, 2023 (NOTIFICATION NO. SEBI/LAD-NRO/GN/2023/120 DATED FEBRUARY 07, 2023)

SEBI on February 07, 2023, notified the SEBI (Buy-Back of Securities) (Amendment) Regulations, 2023. Vide this notification the following amendments have been made:

- The definitions of Frequently traded shares and Secretarial auditor have been inserted:
 - i. **Frequently traded shares:** Frequently traded shares shall have the same meaning as assigned to them under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
 - ii. **Secretarial auditor:** Secretarial auditor means an auditor as defined in the Secretarial Standards – I issued by the Institute of Company Secretaries of India.
- The definition of Odd Lots has been omitted.
- In regulation 4 pertaining to conditions and requirements for buy-back of shares and specified securities, the following amendments have been made:
 - The maximum limit of any buy-back, i.e. 25% or less of the aggregate of the paid-up capital and free reserves of the company, will be now based on the standalone or consolidated financial statements of the company, **whichever sets out a lower amount**. In respect of the number of equity shares bought back in any financial year, the maximum limit shall be 25% and be construed with respect to the total paid-up equity share capital of the company in that financial year.

Also, in regulation 4(ii) sub-clause (a) and sub-clause (b), the words “both standalone and consolidated financial statements of the company”, have been substituted by the words and symbol “the standalone or consolidated financial statements of the company, **whichever sets out a lower amount**” [Regulation 4(i) and 4(ii)]

- The method of buy-back of shares or other specified securities through odd-lot holders has now been deleted. Further provided that the buyback from the open market through stock exchanges, based on the standalone or consolidated financial statements of the company, whichever sets out a lower amount, shall be less than:
 - 15% of the paid up capital and free reserves of the company till March 31, 2023;
 - 10% of the paid up capital and free reserves of the company till March 31, 2024;
 - 5% of the paid up capital and free reserves of the company till March 31, 2025.

Buy-back from the open market through the stock exchange shall not be allowed with effect from April 1, 2025. [Regulation 4(iv)]

- **UNDER THE HEADING BUY-BACK THROUGH TENDER OFFER THE FOLLOWING AMENDMENTS HAVE BEEN MADE:**
 - The company shall, simultaneously with the public announcement, file a copy of the public announcement in electronic mode, with SEBI and the stock exchanges on which its shares or other specified securities are listed. Prior to this amendment, the requirement was to file a copy of the public announcement through a merchant banker. [Regulation 7(ii)]
 - The stock exchanges shall forthwith disseminate the public announcement to the public. [Insertion: Regulation 7(iii)]
 - A copy of the public announcement shall be placed on the respective websites of the stock

exchange(s), merchant banker and the company. [Insertion: Regulation 7(iv)]

- A company is required to file within 2 working days from the record date, a letter of offer with SEBI, containing disclosures as specified in Schedule III, through a merchant banker who is not an associate of the company and a certificate in the form specified by SEBI, issued by the merchant banker, who is not an associate of the company, certifying that the buy-back offer is in compliance of these regulations and that the letter of offer contains the information required under these regulations. [Regulation 8(i)(a) and 8(i)(aa)]
- In case of buy-back through tender offer, no draft letter of offer is required to be filed with the Board. [Insertion: Explanation to Regulation 8(i)]
- The public announcement shall disclose that the dispatch of the letter of offer, shall be through electronic mode in accordance with the provisions of the Companies Act, within two working days from the record date and that in the case of receipt of a request from any shareholder to receive a copy of the letter of offer in physical form, the same shall be provided. [Insertion: Explanation to Regulation 9(ii)]
- The date of the opening of the offer shall be not later than 4 working days from the record date. Prior to this amendment, the requirement was 5 working days from the date of dispatch of the letter of offer. [Regulation 9(v)]
- The offer for buy-back shall remain open for a period of 5 working days as prior to this amendment the requirement was 10 working days. [Regulation 9(vi)]
- The company shall complete the verification of offers received and make payment of consideration to those holder of securities whose offer has been accepted and return the remaining shares or other specified securities to the securities holders within five working days (earlier seven days) of the closure of the offer. [Regulation 10(ii)]
- The company shall extinguish and physically destroy the securities certificates so bought back in the presence of a registrar to an issue or the Merchant Banker and the secretarial auditor within fifteen days of the date of acceptance of the shares or other specified securities. [Regulation 11(i)]
- The company shall, furnish a certificate to SEBI certifying compliance of extinguishment of certificate duly certified and verified by the secretarial auditor of the company, the registrar and whenever there is no registrar, by the merchant banker and two directors of the company, one of whom shall be a managing director, where there is one. [Regulation 11(iii)]
- The provisions pertaining to buy-back through Odd-lot buy-back have been omitted. [Omitted: Regulation 12]

• **UNDER THE HEADING BUY-BACK FROM THE OPEN MARKET THE FOLLOWING AMENDMENTS HAVE BEEN MADE:**

- The company shall ensure that at least 75% of the amount earmarked for buy-back is utilized for buying-back shares or other specified securities. The minimum utilization of the amount earmarked for buy-back through stock exchange route has been increased from existing 50% to 75%. [Regulation 15(i)]
- The company shall ensure that at a minimum of forty per cent of the amount earmarked for the buy-back, as specified in the resolution of the Board of Directors or the special resolution, as the case may be, is utilized within the initial half of the specified duration. [Insertion: Regulation 15(ii)]
- For the purpose of buy-back through stock exchange, a separate window will be created by the concerned stock exchange and such window shall remain open for the period specified in these regulations. [Insertion: Explanation to Regulation 16(i)]
- The company shall, simultaneously with the public announcement made, file a copy of the public announcement in electronic mode with SEBI and the stock exchanges on which its shares or other specified securities are listed. [Regulation 16(iv)(c)]
- The stock exchanges shall forthwith disseminate the public announcement to the public.

[Insertion: Regulation 16(iv)(ca)]

- A copy of the public announcement shall be placed on the respective websites of the stock exchange(s), merchant banker and the company.] [Insertion: Regulation 16(iv)(cb)]
- The buy-back through stock exchanges shall be undertaken only in respect of frequently traded shares. [Insertion: Regulation 16(v)]
- The buy-back through stock exchanges shall be subject to the restrictions on placement of bids, price and volume as specified by SEBI. [Insertion: Regulation 16(vi)]

• **UNDER THE HEADING OPENING OF THE OFFER ON STOCK EXCHANGE THE FOLLOWING AMENDMENTS HAVE BEEN MADE:**

- The buy-back offer shall open not later than four working days from the record date and shall close-
 - within 6 months, if the buy-back offer is opened on or before March 31, 2023;
 - within 66 working days, if the buy-back offer is opened on or after April 1, 2023 and till March 31, 2024; and
 - within 22 working days, if the buy-back offer is opened on or after April 1, 2024 and till March 31, 2025.

However, with effect from April 1, 2025, the option of open market buy-back through the stock exchange shall not be available to any company except in cases where the buyback offer has opened on or before March 31, 2025. [Regulation 17(ii)]

• **UNDER THE HEADING BUY-BACK THROUGH BOOK BUILDING THE FOLLOWING AMENDMENTS HAVE BEEN MADE:**

- A company may buy-back its shares or other specified securities from its existing securities holders through the book building process. [Regulation 22]
- Disclosures, filing requirements and timelines for public announcement [Insertion: Regulation 22A]:
 - The company, which has been authorised by a special resolution or a resolution passed by its Board of Directors, as the case may be, shall appoint a merchant banker and make a public announcement within two working days from the date of the approval of Board of Directors or of the shareholders, as the case may be.
 - The disclosures in the public announcement shall be made in accordance with Schedule II.
 - The book building process shall commence within seven working days from the date of the public announcement.
 - The public announcement shall contain the detailed methodology pertaining to intimation required to be made prior to the opening of the buy-back offer as specified in Schedule- VI.

For details: https://www.sebi.gov.in/legal/regulations/feb-2023/securities-and-exchange-board-of-india-buy-back-of-securities-amendment-regulations-2023_68110.html

LESSON 17

MUTUAL FUNDS

(1) SEBI (MUTUAL FUNDS) (AMENDMENT) REGULATIONS, 2023 (NOTIFICATION NO. SEBI/LAD-NRO/GN/2023/134 DATED JUNE 26, 2023)

SEBI has notified the SEBI (Mutual Funds) (Amendment) Regulations, 2023 on June 26, 2023. Vide this notification the following amendments have been made in the SEBI (Mutual Funds) Regulations, 1996:

1. The new definition “Liquid network” is added [**Regulation 2(1)(na)**]:

Liquid network means the network deployed in liquid assets which are unencumbered and shall include cash, money market instruments, Government Securities, Treasury bills, Repo on Government securities and any other like instruments as specified by the Board from time to time.

2. The new definition “NAV” or “Net Asset Value” is added [**Regulation 2(1)(qa)**]:

NAV or Net Asset Value shall mean the value computed in the manner provided in sub-regulation (1) of regulation 48 of these regulations.

3. In regulation 7 pertaining to eligibility criteria for registration of Mutual Funds, clause (a) has been substituted relating to the sponsor having a sound-track record and general reputation of fairness and integrity in all business transactions.

For the purposes of this clause “sound track record” shall mean the sponsor should,—

i. be carrying on business in financial services for a period of not less than five years; and

ii. ensure that the network is positive in all the immediately preceding five years; and

iii. ensure that the positive liquid network is more than the proposed capital contribution of the sponsor in the asset management company and ensure that in case of change in control of the existing asset management company due to acquisition of shares, the positive liquid net worth of the sponsor or funds tied up by the sponsor is to the extent of aggregate par value or market value of the shares proposed to be acquired, whichever is higher; and

iv. have net profit after providing for depreciation, interest and tax in each of the immediately preceding five years; and

v. have average net annual profit after depreciation, interest and tax during the immediately preceding five years of at least rupees ten crore.

However, if the requirements specified under Explanation are not fulfilled, the sponsor shall,-

i. adequately capitalize the asset management company such that the net worth of the asset management company is not less than rupees one hundred fifty crore; and

ii. ensure that the initial shareholding equivalent to capital contributed to the asset management company to the extent of not less than rupees one hundred fifty crore is locked-in for a period of five years; and

iii. appoint experienced personnel in asset management company such that the total combined experience of Chief Executive Officer, Chief Operating Officer, Chief Risk Officer, Chief Compliance Officer and Chief Investment Officer should be at least thirty years; and

iv. ensure that in case of acquisition of existing asset management company, the sponsor shall have minimum positive liquid net worth equal to incremental capitalization required to ensure minimum capitalization of the asset management company and the positive liquid net worth of the sponsor or the funds tied up by the sponsor are to the extent of aggregate par value or market value of the shares proposed to be acquired, whichever is higher; and

v. ensure that in case of acquisition of stake in an existing asset management company, the shareholding equivalent to at least rupees one hundred fifty crore shall be locked in for five years; and vi. ensure that other conditions in this regard as may be specified by the Board from time to time are adhered to.

A private equity fund or a pooled investment vehicle or a pooled investment fund may also be permitted to sponsor mutual funds subject to such other conditions as may be specified by SEBI.

4. The following regulation 7C has been inserted pertaining to Norms for Shareholding and Governance in Mutual Funds

7C (1) The sponsor may be permitted to disassociate from the asset management company and the mutual fund subject to such conditions as may be specified by the SEBI.

(2) In the event of the sponsor disassociating itself from the asset management company and the mutual fund, the asset management company of the existing mutual fund may act as sponsor of the same mutual fund subject to such conditions and in the form and manner as may be specified by the SEBI.

(3) In the event of the disassociation of the sponsor from the asset management company and the mutual fund, the shareholding for any shareholder in the asset management company shall be below 10%.

(4) In the event of the sponsor disassociating itself from the asset management company and the mutual fund, the board of directors of such asset management company shall have at least two third independent directors.

(5) If the asset management company fails to fulfill the conditions specified above, the dissociated sponsor or any new entity may become sponsor of the mutual fund subject to such conditions as may be specified by the SEBI from time to time.

5. In regulation 16, pertaining to disqualification from being appointed as trustees, the following sub-regulation 7 is inserted:

- In case a company is appointed as the trustee of a mutual fund, the Chairperson of the board of directors of that trustee company shall be an independent director. Provided that a trustee company, already appointed as the trustee of a mutual fund shall comply with this sub-regulation within a period as may be specified by the Board from time to time.

6. Regulation 31A, pertaining to in-principle approval from recognised stock exchange(s), is substituted with the following:

For listing of units of any scheme of a mutual fund on the recognised stock exchange(s), the asset management company of that mutual fund shall take all necessary steps and obtain the 'in-principle' approval from the recognised stock exchange(s) in the manner as specified by such exchange(s) from time to time.

7. Regulation 31B, pertaining to listing agreement, is substituted with the following:
Before listing of units of any scheme of mutual fund on the recognised stock exchange(s), the asset management company of that mutual fund shall execute an agreement with such exchange(s).

For details: https://www.sebi.gov.in/legal/regulations/jun-2023/securities-and-exchange-board-of-india-mutual-funds-amendment-regulations-2023_73224.html
